

It is the reward of hard work and prudent saving that millions of Americans are able to realize the American Dream of owning a home. In recent years, the housing boom has given way to a surge in homeownership, which has been fueled in part by easy credit obtained through the subprime mortgage market.

Subprime mortgages are loans that are made available to borrowers with damaged credit or insufficient funds for a down payment on a home. Many of these loans require very little or no down-payment or have low introductory interest rates that leap after the first two or three years. It is through the development of this easy credit loan market, which last year accounted for 20 percent of all new homes, that millions of working-class Americans have been able to buy homes that they might otherwise not be able to afford.

But while the subprime market has made mortgages (and homeownership) available to a segment of the population that otherwise would have been shut out, these high-rate loans can be extraordinarily risky for people who are in no financial position to take on more debt at high-interest rates.

Unfortunately for many, that risk has become all too real. In recent months, many borrowers have seen adjustable rates go up – in some cases by as much as 100 percent. Consequently, delinquency and foreclosure rates have risen at staggering rates.

The impact on many Maryland homeowners has been devastating. Home foreclosures in our State jumped 354 percent in the first seven months of this year from the same period in 2006 - much faster than the national increase of 61 percent. In 2006, Maryland ranked 40th nationally in home foreclosures. Last month the state ranked 16th.

Deserving part of the blame for this crisis are lending practices by loan companies that steer home buyers into loans they cannot afford. Lax at best and predatory at worst, these lenders have struck a rotten deal with borrowers for whom the dream of homeownership was fulfilled only to be cruelly taken away.

And, although most foreclosures involve subprime borrowers, other homeowners could be harmed as well if spreading neighborhood blight accelerates the decline of home values. Falling prices would diminish the ability of homeowners to refinance their mortgages – as is common practice - to withdraw money to pay for home modifications, college tuition, cars and other

expenses.

As losses for consumers, communities and business continue to mount, fears about escalating problems in the subprime market have shaken broader financial markets and raised concerns that rising foreclosure rates could prolong the housing recession and hinder economic growth. The widespread concern over the collapse of the subprime market has prompted Congress to take action to help homeowners and provide greater oversight and buyer protections.

Early this year, when the subprime mortgage market

was showing signs of distress, both the House and Senate began holding hearings to address the crisis that is now forcing millions of people from their homes across the country. Out of those hearings have emerged legislative efforts to attack the problem on several fronts.

This week, the House will vote on the first of such measures - the Expanding American Homeownership Act of 2007. The bill would revitalize the Federal Housing Administration (FHA) to restore its historical role in ensuring critically needed mortgage loans for low and middle income families by authorizing zero down payment loans, directing the Department of Housing and Urban Development (HUD) to serve higher risk borrowers who would otherwise turn to predatory and high priced mortgage loan alternatives, and by raising loan limits so that FHA can serve high cost housing markets.

The passage of this legislation will be major step towards making FHA relevant again in today's unstable mortgage market where low and moderate

income borrowers have been squeezed into unaffordable loans with no safe options for refinancing. In the months ahead, the House will also be looking at more ways to ensure responsible lending, protect home buyers, and improve access to affordable housing so more Americans can realize the dream of owning their own home.